

SBA NEWS RELEASE

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Contact: Mike Stamler (202) 205-6740

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SBA LAUNCHES SMALL LOAN PROGRAMS TARGETING START UPS, 'NEW MARKETS'

Streamlined Loans with Less Paperwork, Fast Turnaround, More Lenders

WASHINGTON – U.S. Small Business Administration (SBA) Administrator Aida Alvarez today announced that two streamlined small loan programs are expected to provide more than \$1 billion in hard-to-get small loans that will help open the doors of opportunity in “New Markets,” – start-ups, women and minority-owned firms, and those in inner cities and rural areas.

President Clinton recognized the importance of SBA’s outreach effort during a White House ceremony today, as he discussed efforts to expand economic opportunities for all Americans.

“SBA’s small loan programs will provide many more Americans with access to the winner’s circle of this new economy,” said President Clinton, who spoke about the SBA initiative at an event with the Advisory Board to his Initiative on Race. “By opening doors for these new small businesses, we will help build communities, one small business at a time.”

The programs, *SBALowDoc* and *SBAExpress*, target a gap in the marketplace for small business loans under \$150,000. These two programs make it easier and more attractive for lenders to make smaller SBA-backed loans.

Administrator Alvarez added: **“These loan programs will benefit all small businesses, but they will be especially helpful for small businesses in inner cities and rural communities, including firms owned by women, African-Americans, Hispanic Americans, Native Americans, and other minorities – firms that make up what we call ‘New Markets.’**

“SBAExpress and SBALowDoc will help us to narrow the opportunity gap, and will serve as a cornerstone of SBA’s ongoing transformation into a stronger, more responsive, more user-friendly, and more streamlined 21st century leading edge financial institution,” said Ms. Alvarez.

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“SBA has streamlined for success – the success of small businesses all over America,” she said. **“These programs are fast and easy for both lenders and borrowers.”**

The major new features of these two loan programs are:

- *SBALowDoc* – SBA will increase the loan ceiling from \$100,000 to \$150,000, assure a 36-hour turn-around on loan applications, simplify the process for participating lenders and borrowers and provide systematic reconsideration of all loans that are not approved as submitted.
- *SBAExpress* – SBA will make the three-year-old FA\$TRAK pilot program available to as many as 500 additional lenders under the new name *SBAExpress*. SBA will increase the loan ceiling from \$100,000 to \$150,000, assure a 36-hour turnaround on applications, push for installation of electronic application systems by April 1999, and offer a new revolving credit feature.

The revolving credit feature in *SBAExpress* is the agency’s response to one of the top recommendations last year from a series of forums sponsored by SBA, the National Women’s

Business Council and the Federal Reserve Bank on access to capital for women-owned businesses.

In *SBAExpress*, SBA relies completely on the lender's credit analysis, while in *SBALowDoc*, the agency relies heavily on the lender's credit analysis. These policies are in keeping with SBA's overall loan program re-invention strategy, which encourages greater reliance on private sector resources and expertise. Processing of *SBALowDoc* and *SBAExpress* applications has been centralized, and *SBALowDoc* will rely more on automated processing systems and credit scoring.

The *SBALowDoc* program was first launched as a pilot in December 1993 under the leadership of then SBA Administrator Erskine Bowles.

"*SBALowDoc* has accomplished exactly what we asked it to accomplish," Administrator Alvarez said. "By streamlining the application process and relying on a simplified credit analysis, *SBALowDoc* has created a marketplace for smaller commercial loans where one did not exist in the past."

The improved *SBALowDoc* program continues to feature a one-page application. Applicants will, of course, continue to provide additional information required by private lenders participating in the loan guaranty program.

Both programs will offer short-term and long-term loans, and SBA will encourage lenders to use *SBAExpress* to provide revolving credit loans.

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SBAExpress, a pilot program begun under the name FA\$TRAK in February 1995, allows participating lenders to use their own forms and procedures and to apply an SBA guarantee to a

loan without prior credit review by SBA. In return for this flexibility, participating lenders agree to accept a maximum loan guaranty of 50 percent.

The SBAExpress program widens the pilot program from the original 18 lenders to as many as 500 or more additional lenders – the better performing lenders participating in the agency’s Preferred Lenders Program (PLP), as well as selected non-PLP lenders in some areas.

“These new small loan programs will play an important role in helping SBA meet its aggressive outreach goals over the next two years,” Administrator Alvarez said. **“By making small loans more accessible to those New Market firms that need them, we are taking a major step forward to position SBA and the nation’s entire small business community for the new economy of the 21st century. At the SBA, we are streamlining and partnering for greater small business success than ever before.”**

The U.S. Small Business Administration, established in 1953, provides financial, technical and management assistance to help Americans start, run, and grow their businesses. With a portfolio of business loans, loan guarantees and disaster loans worth more than \$45 billion, the SBA is the nation's largest single financial backer of small businesses. Last year, the SBA offered management and technical assistance to more than one million small business owners. The SBA also plays a major role in the government’s disaster relief efforts by making low-interest recovery loans to both homeowners and businesses. America’s 23 million small businesses employ more than 50 percent of the private workforce, generate more than half of the nation’s gross domestic product, and are the principal source of new jobs in the U.S. economy.

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